



As part of September's Life Insurance Awareness Month, the District of Columbia Department of Insurance, Securities and Banking brings age-relevant tips to help consumers understand life insurance. For more information, visit its Web site at [www.disb.dc.gov](http://www.disb.dc.gov).

Volume 2



## LIFE 201: WE ARE FAMILY LIFE INSURANCE TIPS FOR YOUNG FAMILIES

**A**s a new family, perhaps with children under five years of age, your financial situation changes. Your considerations include purchasing a home, protecting your family in the event of a family member's death and making sure you have adequate health insurance for you and your children. Having children is often the catalyst for buying life insurance, as young parents recognize the awesome, life-long responsibility they assumed.

- When purchasing life insurance, consider covering both spouses – even if one stays at home and is not employed. In the event of the stay-at-home parent's death, the surviving spouse will need to shoulder all the responsibilities of the household.
- In determining the amount of life insurance to purchase, make sure to take into account your full childcare costs – especially for children under five years old and for kids with special needs. Take the time to estimate these costs carefully, and factor them into your decision-making process.
- Weigh the costs and benefits of purchasing whole life vs. term life insurance as part of your financial planning strategy. Whole life insurance policies build cash value and also pay a death benefit. But they are more expensive. If you can't afford whole life insurance right now, but think you may want it in the future, you may want to consider term life insurance with a conversion option that will let you change to a whole life policy for a fee when you are ready.
- Or you may want to purchase term life insurance, which offers death benefit protection for a specified time. For example, term life insurance may be appropriate to provide coverage during your child-rearing years or while paying off a mortgage. Term life premiums increase as you age. Term life is typically less expensive in your younger years than permanent life insurance, which covers you for your entire life and typically has level premiums. You may also want to consider purchasing a combination of term life insurance and whole life insurance.

- Remember to update your policy to include your children as beneficiaries, especially in the event of a divorce. You might want to consider naming a trustee for your children in the unfortunate event that both parents die before the children turn 18.
- Some people purchase life insurance for healthy newborn babies because their insurability is high and the premium costs are low. If health issues develop later in life, individuals may not be eligible for life insurance coverage.

**Here are some tips to prudently control life insurance costs:**

- Many life insurance plans offer discounts for improved health (quitting smoking, lowering cholesterol, etc), so make sure to inquire about these potential benefits.
- If you are in the military, consider Serviceman's Group Life Insurance (SGLI) – a program of low cost group term life insurance automatically available to all military members, unless the service member opts out. If you have decided to purchase additional life insurance outside of the SGLI, review the list of exclusions to the policies, and make sure the benefits will be payable even if the death is a result of war, the action of a military force or traveling on a non-commercial aircraft.
- Individuals who sell life insurance at military installations are required to obtain authorization from the Department of Defense, so ask to see the agent's permit or license.

**Remember the impact of key factors that can affect your life insurance premiums. These include:**

- Pre-existing and chronic health problems, such as diabetes, heart disease or cancer
- Poor health habits, such as smoking and excessive drinking
- Your driving record
- Engaging in dangerous hobbies, such as skydiving, skiing or rock climbing

What is your **Insure U IQ**?

Visit the Web site at [www.insureUonline.org](http://www.insureUonline.org) and try the Life 201 Young Families Quiz.